

Section 16(1)(a) of the Trade Description Act states as follows:

16 (1) Where any person being a proprietor or registered user of a registered trade mark within the meaning of any written law relating to trade marks or being otherwise entitled at law to the protection of a trade or other mark or a get-up for any goods or services established –

- (a) in the case of a registered trade mark, that his rights in respect of such trade mark are being infringed in the course of trade within the meaning of the written law; or
- (b) ...

the High Court may on the application of such person make an order declaring that the infringing trade or other mark or get-up as the case may be is for the purposes of this Act a false trade description in its application to such goods as may be specified in the order.

The written law referred to in the above section is the Trade Marks Act 1976. Under s 38 of the Act a registered trade mark is infringed by a person who uses a mark which is identical with it or so nearly resembling it as is likely to deceive or cause confusion in the course of trade in relation to goods in respect of which the trade mark is registered in such a manner as to render the use of the mark likely to be taken as being used as a trade mark.

The question is therefore whether the mark 'SISTER' used by the intervener so nearly resembles the applicant's trademark 'MISTER' as to be likely to deceive or cause confusion. In *Saville Perfumery Ltd v June Perfect Ltd and FW Woolworth & Co Ltd*⁵ the following test of infringement was approved:

Infringement is the use by the defendant for trade purposes upon or in connection with goods of the kind of which the plaintiff's right to exclusive use exists, not being the goods of the plaintiff, of a mark identical with the plaintiff's mark or comprising some of its essential features, or colourably resembling it so as to be calculated to cause goods to be taken by ordinary purchasers for the goods of the plaintiff.

The question of resemblance and the likelihood of deception are to be considered by reference not only to the whole mark but also to its distinguishing or essential features.

In this case there are two features of the two marks which are similar, namely, red in colour and split in wording. But there is no close similarity between the two words 'MISTER' and 'SISTER' as to be likely to cause deception or confusion. The words are different. There is similarity in the second syllable but as a whole the similarity is not close enough as to be likely to cause deception or confusion. Further, the get-up of the intervener's product is green background colour with the picture of a lady whereas the get-up of the applicant's product is white-blue-grey background colour with the picture of a lady and a man.

Applying the above test and considering the appearance of the two marks together with their features I find that it is not likely that ordinary purchasers would be deceived into regarding the intervener's product to be the product of the applicant. I therefore find that the applicant's rights in respect of the trademark 'MISTER' are not being infringed and therefore the applicant is not entitled to the order under s 16(1)(a) of the Trade Description Act 1972. I therefore set aside the order made on 5 October 1988. I also ordered the applicant to pay the costs.

Order accordingly.

Solicitor: *Peter Huang & Associates; KC Lai & Co.*

Reported by *Yap Shao Sin*

Kwong Yik Bank Bhd v Transbuilder Sdn Bhd & Ors

HIGH COURT (KUALA LUMPUR) – CIVIL SUIT NO C717 OF 1983
SHANKAR J
25 FEBRUARY 1988

Banking – Guarantee – Whether prior demand a condition precedent to guarantor's liability – Whether creditor entitled to judgment for more than limit of overdraft facility – Mere filing and service of writ is sufficient demand on guarantor to pay – Letter of guarantee made each guarantor a principal debtor

The plaintiffs were bankers and the first defendant was a company which was in the business of housing construction. The second, third, fourth and fifth defendants were directors of the company. The company applied, and was granted, an overdraft facility by the plaintiffs to a limit of \$100,000 with interest at 15% pa with monthly rests. The overdraft facility was secured by a joint and several guarantee of the second, third, fourth and fifth defendants.

The company defaulted in its obligations and on 18 December 1982, by an AR registered letter, the plaintiffs gave notice to the company that it required the balance and outstanding interest to be settled within seven days and that if the demand was not complied with they would be proceeding with legal action against the company and the other defendants. Carbon copies of this letter were sent to each of the other defendants. All the defendants ignored this notice. Eventually, a judgment in default of appearance was obtained by the plaintiffs against the first defendant company and the second, fourth and fifth defendants. Against the third defendant, the plaintiffs obtained summary judgment and the third defendant appealed to the High Court. In this appeal, counsel for the third defendant contended that: (a) before a guarantor's liability could be said to arise, a clear and unequivocal demand must be made setting out the exact sum which has to be paid; (b) there was no cause of action because no proper demand had been made. In this regard, it was submitted that the plaintiffs' letter of 18

December 1982 was not the proper demand; (c) the plaintiffs were not entitled to judgment for more than \$100,000 under the guarantee.

Held, dismissing the third defendant's appeal:

(1) The issue as to whether a prior demand is a condition precedent to the creation of liability in a guarantor must depend on the precise terms of the contract. There are no such words in the letter of guarantee signed by the third defendant.

(2) Under the first clause of the letter of guarantee, the obligation of the third defendant was not a collateral promise to pay on demand if the primary debtor did not pay. The clause imposed a primary and parallel obligation on the first defendant and all the guarantors to pay on demand all moneys owing to the plaintiffs. Clause 14 made each of the guarantors a principal debtor. And the terms of the document were such that the debt envisaged on demand was a present debt and not one which was payable by instalments being converted into an accelerated obligation to pay the whole at once.

(3) In these circumstances, no antecedent demand was required to create a cause of action and the mere filing of the writ and the service thereof was a sufficient demand obliging the defendants to pay. The letter dated 18 December 1982 was a demand on the third defendant as well as all the other directors of the company and the company itself.

(4) The words of the guarantee clearly made the guarantors liable for the repayment not only of the overdraft facility of \$100,000 but also the interest which accrued thereon at the agreed rate.

[Editorial Note: The third defendant appealed to the Supreme Court vide Civil Appeal No 220 of 1987. The Supreme Court (comprising Lee Hun Hoe CJ (Borneo), Hashim Yeop A Sani SCJ and Mohamed Yusoff J) allowed the appeal on 12 August 1988.]

Cases referred to

- 1 *Public Bank Bhd v Chan Siok Lie & Ors* [1989] 2 MLJ 305 (refd)
- 2 *United Prime Corporation Bhd v Q Built Construction (M) Sdn Bhd & Ors* [1987] 1 CLJ 501 (distrd)
- 3 *Dow Banking Corporation v Mahnahk Spinning and Weaving Corporation & Bank Mellat* [1983] 2 Lloyd's Rep 561 (folld)
- 4 *Royal Bank of Canada v Oram & Ors* [1978] 1 WWR 564 (refd)
- 5 *Royal Bank of Canada v Ruben* (1978) 48 APR 707 (refd)
- 6 *Mok Hin Wah & Ors v United Malayan Banking Corp Bhd* [1987] 2 MLJ 610 (refd)
- 7 *Re J Brown's Estate, Brown v Brown* [1893] 2 Ch 300 (refd)
- 8 *Bradford Old Bank Ltd v Sutcliffe* [1918] 2 KB 833 (refd)
- 9 *Esso Petroleum v Alstonbridge Properties* [1975] 1 WLR 1474 (refd)

HK Wong for the plaintiff.

NV Nadkarni for the third defendant.

Cur Adv Vult

Shankar J: This is an appeal by a guarantor. The basic complaint is that no formal letter of demand was served upon him. Therefore it is contended that the plaintiffs had no cause of action against him. This line of defence has become so common in the commercial court that one may perhaps be pardoned for calling it the guarantor's charter. In this particular case as in the case of *Public*

*Bank Bhd v Chan Siok Lie & Ors*¹ the argument did not find favour with me. I will now say why.

The plaintiffs are bankers. The first defendant is a company which was in the business of housing construction. The second, third, fourth and fifth defendants were directors of this company. They applied for an overdraft facility in favour of the company in 1982. On 12 January 1982 the bank sent the company a letter approving an overdraft facility to a limit of \$100,000 with interest at 15% pa with monthly rests. One of the conditions was that the overdraft facility should be secured by a joint and several guarantee of all the directors of the company in their personal capacities.

On 19 February 1982 the second, third, fourth and fifth defendants each signed a formal letter of guarantee. The material clauses in this letter of guarantee reads:

- 1 I/We will pay you on demand (i) all moneys which now are or may during the operation of this agreement be owing to you from the customer or remain unpaid on the general balance of the customer's account with you ... including interest at such rate as may be from time to time agreed between the customer and you or allowed by you with monthly rests although the relation of banker and customer may have ceased; ...
- 4 This guarantee shall be a continuing guarantee to you to the extent of ringgit one hundred thousand (\$100,000) for the purpose of securing not merely an equivalent amount (but subject always to the said limit of \$100,000) the whole of the moneys or general balance in cl (i) hereof mentioned ... with interest on the sum claimable from me/us at the rate of 15 per centum (15%) pa with monthly rests from the date of my/our receiving demand for payment thereof ...
- 10 Any demand ... may be made ... by letters sent by post addressed to me/us or each of us at my/our address specified herein ... and the demand so sent shall be deemed to be served on the day following that on which it is posted.
- 14 As a separate independent stipulation, I/we agree that any sum or sums of money which may not be recoverable from me/us on the footing of a guarantee whether by reason of any legal limitation disability or incapacity on or of the customer or by any fact or circumstance whether known to you or not shall nevertheless be recoverable from me/us or each of us as sole or principal debtors.

The company defaulted in its obligations. Several reminders were sent and the defaults were not remedied. So on 18 December 1982 by an AR registered letter the bank gave notice that it required the balance and outstanding interest as at 18 December 1982 which then stood at \$116,063.37 to be settled within seven days. The bank also gave notice that if this demand was not complied with they would be instructing their solicitors to proceed with legal action, 'against you and your directors for the recovery of the entire facility'. Carbon copies of this letter were sent to each of the other defendants. I would

pause here to emphasize that this letter was not a mere carbon copy of a demand addressed to the company. It contained a specific notice of the bank's intention to commence proceedings against the other defendants and such notice was expressly directed to each of the other defendants. All the defendants ignored this notice.

On 29 March 1983, the bank filed this action. It prayed for judgment against each of the defendants for \$100,000 together with interest thereon at 15% pa up to 28 February 1983 making a total sum of \$120,409.13 with interest thereof at a contractual rate. It is distressing to see the difficulties which the bank's solicitors had in effecting service on the defendants. However, eventually they did obtain judgment in default of appearance against the first defendant company and the second, fourth and fifth defendants. The first defendant was wound up. Only after an order of substituted service was obtained and implemented against the third defendant did he enter an appearance on 12 February 1986. The plaintiffs applied for summary judgment. In the affidavit in support of this application the bank manager affirmed the usual affidavit in support setting out the facts and the documents upon which the bank relied.

We are concerned in this judgment only with the third defendant. He did not file any affidavit to show cause why leave to defend should be granted. After entering an appearance and before the application for summary judgment was made the third defendant filed a defence. He did not dispute that he had signed the guarantee. The only ground on which he denied liability to pay the sum claimed was that no demand had been made from him for payment of the same.

It is upon the strength of this material that the senior assistant registrar gave unconditional leave to defend. After the senior assistant registrar had decided the matter and before I heard the bank's appeal the parties filed some further affidavits. No leave was obtained for the consideration of this material. In the proceedings before me I did not feel the need to be influenced in either direction by this new material. In any case they did not take the matter any further. So what I am left with is to deal with the legal submissions which were made on behalf of the third defendant by Mr Nithin Nadkarni.

His first submission was that there was no cause of action because no proper demand had been made. He contended that the bank's letter of 18 December 1982 aforesaid was not the proper demand and therefore this action was premature.

First he relied on *United Prime Corporation Bhd v Q Built Construction (M) Sdn Bhd & Ors*.² I am unable to agree with Mr Nadkarni that this case is authority for the proposition he has advanced. As appears from the judgment that case concerns the liability of the first defendant

A as a principle debtor under an equipment lease agreement and the liability of the other defendants as guarantors. Article 17(1)(a) of the lease agreement gave the lessor an option to declare a part of the entire amount of the total rent immediately payable by the lessee or alternatively under art 17(1)(c) to terminate the lease and to demand the full amount of the agreed loss value. The lessor sent a letter to the lessee terminating the agreement and requiring payment within 14 days of the total rent outstanding. Carbon copies of this letter were sent to the guarantors with an addendum, 'This is a demand upon you'. Dr Zakaria Yatim J pointed out that in the statement of claim the plaintiffs had not pleaded the question of termination of the said lease agreement. Furthermore he pointed out that the amount stated in the letter was inconsistent with what was provided in the said lease agreement under art 17(1)(c). It is on these grounds that he declined to allow a lessor to sign judgment against the lessee. As for the guarantors he added that the letter did not constitute proper demands against them. He then said, 'In order to give the contract of guarantee business efficacy, the said letter must state clearly what the guarantors were required to pay'.

E From this it should become apparent that this was a case which applied only to its own facts. I would emphasize that the terms of the guarantee in that case did not fall to be considered by the court and what is more liability had not been established against the principal debtor on the pleadings.

F Next I refer to *Dow Banking Corporation v Mahnakh Spinning & Weaving Corporation & Bank Mellat*.³ Mr Nadkarni relied upon this authority as laying down a general proposition that before a guarantor's liability could be said to arise, a clear and unequivocal demand must be made setting out the exact sum which has to be paid. However, a close perusal of that decision indicates otherwise. By a loan agreement dated 1 March 1978, Dow Banking Corporation ('Dow') agreed to lend Mahnakh Shipping & Weaving Corporation ('Mahnakh') US\$5m. The borrowers' obligation was guaranteed under a separate agreement dated 14 March 1978. The loan was repayable in instalments. On 5 October 1981 there fell due for repayment one instalment of the principal amounting to \$1m together with interest. Mahnakh failed to pay. Dow thereupon exercised its right to call in the entire loan. I would pause here to emphasize that this was a situation where Mahnakh as principal debtor was entitled to repay the loan over a set period of time in instalments. In the event of default Dow was entitled upon giving notice to require accelerated payment not only of the instalment due but also all the other instalments which would thereafter become payable from time to time under the agreement. Section 11.1 of the loan agreement reads 'the principal of and accrued interest on

the loan shall become immediately due and payable without need or further legal formality, at the option of and upon the first demand by the bank ...'. In other words, before Mahnakh fell under the liability to make accelerated repayment of the entire loan, the condition precedent had to be fulfilled, namely, Dow was required to first make a demand. Lloyd J said at p 565:

Did Mahnakh ever come under an obligation to make accelerated repayment of the entire loan under the loan agreement? This depends on whether the plaintiff ever made a demand for repayment: see s 11.1 of the loan agreement. The telex upon which the plaintiff relies as being the demand for accelerated repayment is the important telex of 28 November 1979 which I have read verbatim. But that was a telex addressed to the bank, not Mahnakh. So far as appears from the telexes, there was never any demand for accelerated repayment by Mahnakh. In the absence of such a demand, there was never any obligation on the part of Mahnakh to make accelerated repayment; and in the absence of such an obligation there could not be any valid demand on the bank.

In other words, the issue as to whether a prior demand is a condition precedent to the creation of liability in a guarantor, must depend on the precise terms of the contract. Indeed the two Canadian cases which Mr Nadkarni cited brings this out very clearly.

In *Royal Bank of Canada v Oram & Ors*⁴ it was held that unless the demand for payment had been made, an action in court would be premature. But then the words of that guarantee read as follows (see p 569):

No suit based on this guarantee shall be instituted until demand of payment has been made ...

The same form of words occur in *Royal Bank of Canada v Ruben*⁵ at p 708. There are no such words in the letter of guarantee signed by the third defendant. Consequently I hold that this line of argument is devoid of merit.

I made my order herein on 29 April 1987. The third defendant then filed his notice of appeal. Thereafter the Supreme Court decided *Mok Hin Wah & Ors v UMBC*.⁶ On 1 September 1987, the third defendant's solicitor sent in a copy of this decision by way of additional support to Mr Nadkarni's submission.

In the absence of information on the point I am constrained to assume that in *Mok Hin Wah's* case⁶ the guarantee did provide in so many words, that no suit based on the guarantee shall be instituted until demand of payment had first been made; or alternatively that there was no provision in that agreement whereby the guarantors were to be treated as principal debtors, with the result that their liability was only collateral.

It is therefore necessary for me to say something further. In *Re J Brown's Estate; Brown v Brown*⁷ at p 304 Chitty J said:

... without going through the whole of the cases to which I have referred in the course of the argument, it is plain that a

A distinction has been taken and maintained in law, the result of which is that where there is a present debt and a promise to pay on demand, *the demand is not considered to be a condition precedent to the bringing of the action*. But it is otherwise on a promise to pay a collateral sum on request, for then the request ought to be made before action brought ... it is a question, then, of the construction of the instrument; ... (emphasis added)

B In *Mok Hin Wah v UMBC*⁶ Tun Haji Mohamed Salleh bin Abas, the Lord President, referred to *Bradford Old Bank Ltd v Sutcliffe*.⁸ The critical passage in the judgment of Scrutton LJ is at p 848 which reads as follows:

C Was it here necessary for the plaintiff to prove a demand? Generally a request for the payment of a debt is quite immaterial, unless the parties to the contract have stipulated it should be made: per Parke B in *Walton v Mascall*. Even if the word 'demand' is used in the case of a present debt, it is meaningless, and express demand is not necessary, as in the case of a promissory note payable on demand: *Norton v Ellan*. But it is otherwise where the debt is not present but to accrue, as in the case of a note payable three months after demand: *Re Rutherford*; or where the debt is not a present debt, but a collateral promise: *Birks v Trippet*; *Re Brown's Estate*. The promise of a surety to pay on demand if his principal does not appear to me to be a collateral promise within the authorities; and I entertain no doubt that in this guarantee the provisions about demand are a real stipulation, and not mere words. (emphasis added)

E It seems to me that what is critical in such cases is the language of the instrument and the nature of the liability which it creates. Thus in *Esso Petroleum v Alstonbridge Properties*⁹ at p 1483 Walton J observed in the circumstances of that case:

F I fully accept, of course, that where there is a pre-existing debt which is payable 'on demand', such a demand (other than the service of proceedings) is not a prerequisite to the bringing of an action to recover that debt: *Re Brown's Estate*; *Brown v Brown*. That case shows, of course, that where the character in which payment is required is that of surety, a demand is, in general, necessary; but I assume for present purposes (without finding it necessary so to decide) that the provisions of cl 5 of the mortgage, equating the liability of the sureties to that of principal debtor, is effective to obviate the necessity for a demand merely on this ground. My difficulty is that the demand in the case is a demand which of its own intrinsic nature changes the nature of the liability; it turns a liability to pay by instalments into a liability to pay the whole at once. Under these circumstances, in my judgment, even as against a principal debtor, a demand antecedent to the issue of proceedings is a necessary prerequisite of, the whole cause of action. I would put it in this way, that where the pre-existing obligation is to pay the debt by instalments, the demand that it be paid in one lump sum is an act which radically changes the nature of the debtor's obligation, and so is an essential ingredient of any cause of action to recover the lump sum ... (emphasis added)

H Whatever else needs to be said on the law, I have already said in *Public Bank Bhd v Chan Siok Lie & Ors*.¹

I If I may now focus my attention on the facts, it will be observed from the very first clause of the letter of guarantee that the obligation of the third defendant was

not a collateral promise to pay on demand if the primary debtor did not pay. The clause in question imposed a primary and parallel obligation on the first defendant and all the guarantors to pay on demand all moneys owing to the bank. Clause 14 made each of the guarantors a principal debtor. And the terms of the document was such that the debt envisaged on demand was a present debt and not one which was payable by instalments being converted into an accelerated obligation to pay the whole at once.

In these circumstances my view is that no antecedent demand was required to create a cause of action and the mere filing of the writ and the service thereof was a sufficient demand obliging the defendants to pay. In any event I would go further and hold in the circumstances of this case that the letter dated 18 December 1982 was a demand on the third defendant as well as all the other directors of the company and the company itself.

The only other point here I need to deal with is Mr Nadkarni's submission that the bank was not entitled to judgment for more than \$100,000 under the guarantee. With this interpretation of the guarantee agreement I am unable to agree. The words clearly made the guarantors liable for the repayment not only of the overdraft facility of \$100,000 but also the interest which accrued thereon at the agreed rate.

So I would confirm the judgment I have given herein against the third defendant for the sum claimed in the writ with interest thereon and costs.

Order accordingly.

Solicitors: *Adam & Co; Skrine & Co.*

Reported by Ng Sheau Jiuan

Public Bank Bhd v Chan Siok Lie & Ors

HIGH COURT (KUALA LUMPUR) – CIVIL SUIT NO C3599 OF 1985
SHANKAR J
15 FEBRUARY 1988

Banking – Guarantee – Notice of demand issued to guarantors – Whether prior demand a condition precedent to suing guarantors – Whether such notice should state precisely the amount due and owing – Effect of guarantee making guarantors principal debtors

Banking – Guarantee – First guarantee signed before approval of increased credit facilities were obtained from plaintiff bank – Subsequent approval obtained and acknowledgment signed by defendant guarantors in capacity as directors – Whether defendant guarantors can plead no assent to variation of their obligations in their capacity as guarantors

In this case, the plaintiffs are bankers and the defendants were directors of Feng Sheng, a company dealing, inter alia, with the

import of Italian tiles. In consideration of the plaintiffs granting some credit facilities to Feng Sheng, all the three defendants signed a letter of guarantee ('the first guarantee'). Subsequently, the defendants signed a further letter of guarantee ('the second guarantee') for increased facilities, some of which facilities superseded and cancelled the previous facilities granted. Sometime in 1984, the plaintiffs filed an action against Feng Sheng and the three defendants ('the first action') and obtained judgment against Feng Sheng and the first defendant. In June 1985, the third defendant signed a notice on behalf of Feng Sheng that a meeting of the creditors of the company was proposed to confirm that Feng Sheng be wound up in a creditors' voluntary winding up and to consider a statement of the company's affairs. In the copy of the notice sent to the plaintiffs, it was stated by the third defendant on behalf of Feng Sheng that the amount admitted to be due to the plaintiffs as at 30 April 1985 was \$249,475.49. Subsequently, the plaintiffs' solicitors sent a registered letter to each of the defendants demanding various amounts outstanding pursuant to the first and second guarantees. When the defendants ignored the notice, the plaintiffs instituted the present action repeating in the statement of claim the figures set out in the letter of demand. The third defendant, after entering appearance, pointed out that the trust receipt facility was for \$250,000 and the overdraft facility was for \$50,000 and not the other way round as stated in the demand letter and statement of claim. He also contested, inter alia, the method of calculation of interest. The plaintiffs then amended their statement of claim and obtained summary judgment against the defendants. The defendants then appealed to the High Court.

In their appeal, the defendants contended that: (a) the notice of demand should state precisely the amount due and owing by the principal debtor so that the guarantor could elect whether to comply with it; (b) the judgment obtained against Feng Sheng in the first action was a nullity because it was for too much and as an excessive claim nullified the judgment, it should equally nullify the demand against the guarantors; (c) since the first guarantee was executed before the bank approved the increased facility there had been a variation of the guarantors' obligations under the first guarantee. It was submitted that as regards the first guarantee, the capacity of the defendants should be compartmentalized as guarantors only. As the acknowledgement and confirmation of the plaintiffs' approval to grant increased facilities to Feng Sheng after the first guarantee was executed was given by the defendants in their capacity as directors, no assent to the variation in their capacity as guarantors was given.

Held, dismissing the defendants' appeal:

(1) There is no general rule that in all cases, regardless of the terms of the document, a prior precise demand is a sine qua non to the commencing of an action. Nor is there any general rule that a prior notice must be given in all cases. The writ itself is a notice. Nor is there any general rule that in all cases, unless the precise amount owing is correctly stated in a notice, the notice will be invalidated.

(2) Where the effect of a guarantee agreement is to make the guarantors principal debtors, the necessity for a demand could be obviated because the character of the agreement under which payment is sought is no longer strictly collateral.

(3) A judgment which has been taken for too much is not a nullity. The judgment, if it is issued under the seal of the court, is enforceable like any other judgment of the court. If there is no appeal against it the judgment will crystallize in the suit. In such cases, it could be said that the judgment is voidable at the instance of an aggrieved party upon whom the onus will lie to